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By: Jacob Ackart

You spend so much time and resources chasing too many small donors and too few large donors that sometimes you can't help but wish your organization had one large benefactor. While that could be wonderful, you ought to be careful what you wish for, because sometimes having a single large benefactor can hurt your organization more than it can help it.

There are the obvious problems with having one or two large donors: the organization may have to placate a large ego to get the money, and the organization may have to contend with unwarranted interference by the donor in governance or program activities. Placating a donor's ego is often not so difficult to deal with, name something after the donor and all's well. However, if a large donor wants greater recognition, a special event in her honor for example, that could be headache. Donor interference is a little bit more difficult to deal with, but, hopefully, this situation is kept rare by crack administrative and development teams.

A less obvious, but potentially more serious problem with having one or two large donors is the possible tax consequences. When the I.R.S. grants most organizations tax exempt recognition, it does so on the condition that those organizations gather most of their donations from the "public", by which it means a broad spectrum of sources. A new organization has five years to get up to par in this area, and after that, the I.R.S. checks to make sure that donations are coming from the public. Ideally, the donations will come from a mix of direct donations, grants, program fees, and sometimes they come from tax dollars. If the donations are not public, then the I.R.S. will strip the organization of its tax exempt status. (This can happen to all organizations, not just new ones).

There are organizations that do not have to collect their donations from the public, but, usually, those organizations do not receive the same tax exempt status as public charities (one of the few tax classifications that is completely tax exempt). Generally, if your organization fails to have tax exempt status because it has too few donors, then it will be classified by the IRS as a private foundation. A private foundation is not completely tax exempt. Thus, if your organization has one or even just a few large donors it may have to pay income and excise taxes.

On the other hand, private foundations are often set up in conjunction with public charities to get around just this problem. A public charity can be supported by a private foundation that is funded by one donor or a few. The charity still must fundraise in other ways, but there is much less of a chance of jeopardizing the organization's tax exempt status. This is a sophisticated planning tool usually used by larger, more established organizations, but if you are seeking or already have a large benefactor, this is an excellent strategy to look into.